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To: 'Marilyn Meighen'; 'Jeff Wuensch'; 'Shaw Friedman'; 'Atherton, Thomas'; Rushenberg, Tim; 'McDonald, Chuck'

Cc: 'McDaniel, Carol L'

Subject: Responses

Greetings,

Please allow me to respond to some of the various charges asserted during this afternoon's conference call. A few points of consideration:

1. The DLGF ratio study for Laporte County 2006 assessments was not mentioned in today's discussion. Can we take that to mean that the corrected analysis only indicates possible 2006 assessment issues (outside of a sales chasing argument) in two areas: Hanna TWP and Hudson TWP vacant residential property? All other property classes appear to be within existing Indiana standards, based on the DLGF's analysis.
2. The Petitioner in this matter, as well as numerous other taxpayers as well often times as some assessment officials, has a basic disconnect of information. In reading the Indiana Real Property Assessment Guidelines version A, as well as past practice up until 2002, the assessment elements of grade, condition, effective age and so on are given great deference. However, the 2002 Indiana Manual places the overall assessment emphasis on the "bottom line value". In fact page 2 of the Manual states in part that assessors shall make whatever changes necessary to arrive at their view of the proper value. The Indiana Tax Court, not just Nexus Group or Frank Kelly, has also weighed in on this subject, in such decisions as:
<http://www.in.gov/judiciary/opinions/pdf/10040601tgf.pdf>
<http://www.in.gov/judiciary/opinions/pdf/02100601tgf.pdf>
<http://www.in.gov/judiciary/opinions/pdf/02020601tgf.pdf>

Our interpretation of the assessment standard, and of these decisions as justification, is that the final assessed value is the only important element of the assessment, not grade, condition or other elements. While the petitioner may wish to overturn the Indiana Tax Court, surely the DLGF does not take that position. While we strive to have consistency in such less-important factors, we do emphasize the bottom line assessments, not the process thereof. With that in perspective, studies of individual elements of assessed value (grade, condition, effective age, etc.) are interesting, but irrelevant.

3. Usage of 2006 sales data. There's been an attempt to mis-characterize our proper use of 2006 or other time period data, and justify Mr. Denne's improper use of such data in his second ratio study. We utilized valid 2006 sales (time adjusted as deemed appropriate) in several property classes to better trend all types of property. That data was therefore included in our analysis of supposed sales chasing to give the prospect of such activity the best chance of showing up. However, we did not include that data for the most part in our 2006 sales ratio study.

Mr. Denne's second ratio study uses 2006 sales almost exclusively to study Laporte County assessments, ignoring the proper time period basis of 2004-2005. There is a substantial and important distinction between those two activities.

Mr. Denne's first ratio study was not discussed, apparently all sides now agree on how flawed that analysis was in noting the large changes in 2005 vs 2006 assessments and forgetting about the change in valuation date.

4. We do indeed dispute an assertion that the various results of the Wilcoxon tests by either the Petitioner and/or DLGF are accurate in the basis of analysis. What that means to the lay-person is that since the circumstances are contrary to the assumptions of the test, the results may give one a wrong interpretation. While the test is recommended by the IAAO, it is clearly envisioned and discussed as a sales chasing test when the assessment data has experienced only a one-year change and nothing else. Multiple year gaps, such as the change in valuation dates in the 05 vs 06 assessments (1999 to 2005) invalidate the results, as do the undisputed reassessment activities conducted in many townships. Applying the test in these cases gives a false positive response, as we undisputedly demonstrated with the results in Michigan TWP. Since Michigan TWP was the supposed worst offender, we have not as yet detailed each and every change in every township that would further invalidate the test. Mis-application of a statistical test is not grounds for a reassessment, but indicative of the need for further education of all concerned in the proper implementation of the test itself under varying circumstances.

Clearly, we do indeed dispute the findings of the Wilcoxon tests, even our own, as indicative of sales chasing given the 6 year change in valuation date and the reassessment activities county-wide.

What is undisputed about the change in valuations of sold and unsold property is our comparison of percentage change in assessments between the two groups. That analysis looks at total AV, not just grade, condition, etc. What that evidence shows is that in most cases, the percentage change was very similar between sold and unsold property. The in-depth analysis of every neighborhood in Michigan TWP clearly shows just how similar such changes were, and resultantly, how the Wilcoxon test has given a flawed test statistic, and why one can not rely solely on the Wilcoxon test.

5. While our March 9, 2007 correspondence to Mr. Denne suggested a Wilcoxon test, our opposition to the test subsequently is on the basis that in these particular circumstances, the significant change in basis of Indiana assessments between 2005 and 2006 (6 year change in valuation date) do not meet the criteria of the test. Specifically for Laporte County, the test has even greater problems given the vast reassessment functions since 2004. Many counties had flawed assessments subsequent to 2002; shall Laporte County be penalized for addressing the problems?
6. Laporte County and Nexus Group vehemently deny any assertion of sales chasing. However, failing that, we ask: what is the current adopted Indiana standard on sales chasing? The IAAO Standard on Ratio Studies indicates that the oversight agency should develop such a standard; it does not specify a standard. We agree that statistical tests and other common-sense comparative devices should be implemented in the future. 50 IAC 14 references the IAAO Standard; which says the agency should develop a standard. Since there is no Indiana standard to measure sales chasing that was in effect during the assessment period, nor has one been developed since, the assessments can not violate a non-existent standard.

In summary, we take great umbrage to the Petitioner's unsubstantiated charge that we have knowingly applied false and illegal assessments. Likewise, perhaps the DLGF has taken a similar umbrage with Laporte County having not issued homestead rebate checks. However, neither position addresses the matter at hand.

The DLGF 2006 ratio study of Laporte County finds only minor issues in some smaller property classes; no significant assessment flaws. Sales chasing can not be proven, given the significant gap between valuation dates, widely varying property in some townships such as Michigan, as well as the reassessment activities since 2002. The Wilcoxon test is a flawed indicator of sales chasing under these circumstances. The simple comparisons between sold and unsold property in percentage change terms

shows that in most every case, the solds and unsolds changed very similarly. While we favor a sales chasing standard in the future, the 2006 assessments did not violate common sense, nor any Indiana-adopted standard.

A county-wide reassessment is not supported by the data. At worst, the DLGF could order reassessment for the 2006 assessments of Hanna and Hudson TWP vacant residential property. Laporte County has already addressed one of these property groups for 2007 assessments in striving to produce better assessments.

Regards,
Frank Kelly
Nexus Group, and as representative of Laporte County